

## Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

L-02 H-02 PA-01 USIA-06 PRS-01 /077 W

----- 039002

R 130948Z MAR 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 8846

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L SEOUL 1690

HONG KONG FOR REGFINATT

E.O. 11652: GDS

TAGS: EFIN KS

SUBJECT: KOREAN EXCHANGE RESERVES DECLINE AGAIN IN FEB.

REF: SEOUL 0947

1. KOREAN FOREIGN EXCHANGE RESERVES FELL FURTHER IN FEB BUT BY LESS THAN THE VERY LARGE DECLINE OF JAN. THE LOWER RATE OF DECLINE IN FEB WAS DUE MAINLY TO A SMALLER TRADE DEFICIT. THE LATTER WAS PARTICULARLY LARGE IN JAN. (DOLS 309 MILLION) DUE TO UNUSUALLY HIGH IMPORTS AND WEAK EXPORTS. KOREA'S SHORT-TERM FX POSITION TURNED NEGATIVE FOR THE FIRST TIME AND LEADING INDICATORS STILL POINT TO A DIFFICULT FX SITUATION DURING AT LEAST THE FIRST HALF, PER ANALYSIS IN REFTTEL.

2. GROSS FX RESERVES FELL DOLS 27 MILLION IN FEB. TO DOLS 911 MILLION (PRELIMINARY) COMPARED TO DOLS 1049 MILLION AT YEAR END. NET FOREIGN ASSETS FELL DOLS 130 MILLION TO MINUS DOLS 534 MILLION, CONFIDENTIAL

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COMPARED TO MINUS DOLS 150 MILLION AT YEAR END. IF

LONG-TERM FX LIABILITIES ARE EXCLUDED, THE SHORT-TERM FX POSITION DETERIORATED BY DOLS 134 MILLION IN FEB. TO MINUS DOLS 79 MILLION, COMPARED TO PLUS DOLS 297 MILLION AT YEAR END. SHORT-TERM REFINANCE CREDITS ROSE DOLS 94 MILLION TO DOLS 878 MILLION, OR VERY CLOSE TO THE GROSS RESERVE LEVEL.

3. COMMENT: FURTHER DECLINES IN NET FOREIGN ASSETS, HOWEVER CALCULATED, APPEAR INEVITABLE IN VIEW OF PROSPECTIVE LARGE MONTHLY PAYMENTS DEFICITS THROUGH AT LEAST THE FIRST HALF. THE SECOND DOLS 100 MILLION OF THE US SYNDICATED BANK LOAN, WHICH BECOMES AVAILABLE THIS MONTH, WILL PROVIDE ONLY TEMPORARY RELIEF. THE KEY FACTOR REMAINS FOREIGN LENDER CONFIDENCE, WHICH IS STILL STRONG AMONG RESIDENT US BANKERS, MAINLY DUE TO KOREA'S PAST PERFORMANCE AND FAVORABLE LONG-TERM PROSPECTS. IT APPEARS THAT, BARRING UNEXPECTED OPEC CASH LOANS, KOREA WILL SHORTLY BE OBLIGED TO INCREASE REFINANCE LIABILITIES BEYOND THE GROSS RESERVE LEVEL. CREDIT LINES ARE AVAILABLE IN THE US FOR SUCH USE AND LOCAL US BANKERS DO NOT SEEM WORRIED ABOUT THE FX SITUATION SO FAR, ON THE ASSEPTION THAT CONDITIONS WILL IMPROVE IN THE SECOND HALF AND KOREA WILL BE ABLE TO OBTAIN ADDITIONAL LONG-TERM LOANS FROM VARIOUS SOURCES.  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, BALANCE OF PAYMENTS, FOREIGN EXCHANGE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**TAGS:** EFIN, KS  
**To:** STATE  
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